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SENSITIVE

SIPDIS

DEPT FOR AF/RSA KMOODY

AF/S FOR B.WALCH

DRL FOR N. WILETT

ADDIS ABABA FOR USAU

ADDIS ABABA FOR ACSS

STATE PASS TO USAID FOR J. HARMON AND L. DOBBINS

STATE PASS TO HOUSE FOR STEPHANE LEBOUDER

E.O. 12958: N/A

TAGS: OREP AMGT PREL ASEC PHUM ECON EAID ZI

SUBJECT: SCENESETTER FOR CODEL MEEK'S VISIT TO ZIMBABWE

SEPTEMBER 2-3, 2009

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SUMMARY

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¶1. (SBU) U.S. Mission Zimbabwe welcomes Representative Meeks and his delegation. Your visit comes at an important period in Zimbabwe's history following the entry into government of the Movement for Democratic Change (MDC) in February of this year and is an opportunity to express support for democratic reform in Zimbabwe and emphasize our expectations of the new government. While the power-sharing agreement between President Mugabe's ZANU-PF and the MDC is flawed and fragile, under the new government the economy has stabilized after a lost decade and there are signs of political change. Most noteworthy is that Morgan Tsvangirai is Prime Minister, something that was virtually inconceivable a year ago, and the MDC has a majority in Parliament. Also, the process of drafting a new constitution has begun. Disturbingly, however, Mugabe and ZANU-PF continue to drag their heels on full implementation of the Global Political Agreement (GPA). MDC governors have not yet been appointed, Deputy Minister of Agriculture-designate Roy Bennett has not yet been sworn in, and Reserve Bank of Zimbabwe (RBZ) Governor Gideon Gono and Attorney General Johannes Tomana, appointed in violation of the GPA, remain in office. The Attorney General's office under Tomana has selectively prosecuted MDC Members of Parliament (MPs) in an apparent attempt to weaken the MDC majority in Parliament. While violence has decreased, ZANU-PF structures remain in place in parts of the country and there is intimidation of MDC supporters. Invasions and disruptions of white-owned farms and wild-animal conservancies continue.

¶2. (SBU) Investors are showing renewed interest in Zimbabwe due to the country's abundant natural resources and well-educated populace. But so far they are remaining on the sidelines, concerned about political instability and absence of investment security. There is no land tenure -- title to

land resides in the State and seizure of land is constitutional -- and the government has threatened to require 51 percent indigenous ownership of businesses in all sectors.

¶3. (SBU) Donors, especially the U.S., provide large amounts of humanitarian assistance, but are unwilling to reengage in direct development assistance to the GOZ until there is greater compliance with the GPA, particularly an end to human rights violations and establishment of the rule of law. In an effort to achieve greater compliance with the GPA, Tsvangirai and the MDC have appealed to the Southern African Development Community (SADC) and its current head, South African President Jacob Zuma. Zuma is scheduled to visit Zimbabwe for an agricultural show on August 27 at which time he is expected to hold talks with Mugabe and Tsvangirai. The SADC Heads of State and Government will meet in Kinshasa September 7-8. There are reports that Zuma intends to exert more pressure on Mugabe than his predecessor, Thabo Mbeki, but this remains to be seen. Real change appears unlikely until there are new elections, and this will probably occur in 2012 or 2013. END SUMMARY.

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Despite Flawed Agreement, MDC Joins Government  
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¶4. (SBU) Presidential and parliamentary elections took place on March 29, 2008 and were relatively fair. The Tsvangirai (MDC-T) and Mutambara (MDC-M) factions of the MDC combined

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won a parliamentary majority. Tsvangirai may have won a majority in the presidential vote, but after delaying the announcement of results for almost a month, the Zimbabwe Electoral Authority announced he was just short of the 50 percent of the vote necessary to claim outright victory. In the run-up to the June 27, 2008 presidential runoff election, ZANU-PF unleashed a campaign of violence against MDC supporters. Tsvangirai ultimately withdrew his name and Mugabe won a clearly flawed victory.

¶5. (SBU) The international community, including SADC countries, refused to recognize Mugabe's victory and grant him the legitimacy he craved. Under pressure from SADC, and with the economy imploding under inflation that ultimately reached over a quadrillion percent, Mugabe entered into negotiations with the MDC. The GPA was signed on September 15, 2008. For Mugabe, a coalition government represented a way to shift responsibility to the MDC and to gain legitimacy; for Tsvangirai, it presented an opportunity to enter government and to stabilize the economy and help badly affected Zimbabweans.

¶6. (SBU) While lofty in tone -- the GPA called for an end to violence, institution of the rule of law, and power sharing -- the agreement was scant as to detail and Tsvangirai spent the next five months trying to negotiate with Mugabe as to the specifics of the new government. During this period of negotiation, over 30 MDC officials and members of civil society were abducted, tortured and prosecuted. (NOTE: Even after the formation of the new government, many of these people are still being prosecuted, although there is no evidence to support charges against them. END NOTE.) Despite few gains in negotiations with Mugabe, in February, 2009 Tsvangirai and the MDC agreed to the passage of Amendment 19 which incorporated the GPA and paved the way for the inauguration of MDC officials and the establishment of the new government in mid-February of this year.

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Political Progress is Slow...  
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¶7. (SBU) Two years ago, it would have been difficult to

conceive that Morgan Tsvangirai would be Prime Minister of Zimbabwe, that the MDC would have a majority in parliament, and that the Speaker of the House of Assembly would be from the MDC. The MDC is now in a position to influence the political and economic trajectory of Zimbabwe, and Tsvangirai has been received in the U.S., Europe, and Africa as a head of government. Nevertheless, ZANU-PF is attempting to frustrate political progress and the GPA remains unfulfilled.

¶8. (SBU) The GPA called for major appointments subsequent to its signature to be made by Mugabe as president in consultation with Tsvangirai. Nevertheless, Mugabe without consultation appointed Gono as Reserve Bank Governor and Tomana as Attorney General. Finance Minister Tendai Biti of QTomana as Attorney General. Finance Minister Tendai Biti of MDC-T has largely marginalized Gono whose source of power over the last several years rested in his ability to print money; with the abandonment of the Zimbabwe dollar and the usage of foreign currency, principally the U.S. dollar, Gono's wings have been clipped. Gono remains a symbol, however, of economic mismanagement and ZANU-PF patronage. Tomana has been largely responsible for the selective prosecution of a number of MDC MPs. This is quite likely part of a ZANU-PF strategy to weaken and perhaps overcome the MDC's parliamentary majority. Tsvangirai and the MDC have urged Mugabe to comply with the GPA by dismissing both Gono

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and Tomana and replacing them in consultation with Tsvangirai. There are signs that Mugabe may accede to a compromise: the replacement of Tomana. Gono is a Mugabe confidante who knows where the skeletons are buried, and Mugabe is reluctant to have him on the outside.

¶9. (SBU) Under the GPA, ZANU-PF and the MDC are supposed to divide governorships, ministerial permanent secretaries, and ambassadorships. The parties agreed that permanent secretaries and ambassadors will remain in place and be replaced proportionally as positions become open. The first five MDC ambassadors were recently named. An agreement was reached several weeks ago dividing governorships between the parties. New governors were to assume their positions the first of September. Last week, Mugabe reneged on the agreement; the MDC will appeal to SADC if he fails to comply.

¶10. (SBU) Roy Bennett, the MDC treasurer, returned from exile after the formation of the new government. He was appointed to be a Senator and designated by Tsvangirai as the Deputy Minister of Agriculture. Bennett was arrested and charged with treason three days after the new government was formed and released on bail a month later. He is alleged to have illegally possessed weapons to use against the government. Bennett's trial is scheduled for October and Mugabe has refused to swear him in as deputy minister despite the fact that other government officials have been sworn in despite pending charges.

¶11. (SBU) ZANU-PF structures, used to terrorize and intimidate MDC supporters in the last election, remain in place in many rural areas.

¶12. (SBU) Invasions and disruptions of farms and wild-animal conservancies continue to take place. These actions prevent harvests and are inimical to tourism which is a key component of economic growth in Zimbabwe.

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...But There is Progress  
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¶13. (SBU) The GPA calls for an 18-month process to draft a new constitution. This process is being guided by Parliament and, despite opposition from ZANU-PF (which fears that completion of a new constitution will be a prelude to early elections), and elements of civil society (who oppose a political, as opposed to a civic-led process), it is

proceeding.

¶14. (SBU) The BBC is now operating openly -- albeit with some pressures to self-censor -- and there are possibilities that independent daily newspapers will be allowed to publish in the coming months.

¶15. (SBU) The MDC is celebrating its 10th anniversary and has openly held rallies around the country. Last weekend in Mutare, Zimbabwe's third-largest city, the party claimed attendance of 40,000.

¶16. (SBU) The MDC is present in government and in ministries it controls is establishing policies and taking actions. In general, it is seen by the public, which has never known Ogeneral, it is seen by the public, which has never known post-independence anything but a ZANU-led government, as a legitimate democratic governing force.

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Reversing Economic Decline

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¶17. (SBU) Zimbabwe's economy shrank across all sectors between 1999 and 2008; real GDP is estimated to have declined by over 40 percent. President Mugabe's large unbudgeted payments in late 1997 to agitating veterans of the 1970s liberation war precipitated the economic decline, and Zimbabwe's costly military intervention in the Democratic Republic of Congo in the late 1990s further destabilized the economy. The disastrous fast-track land redistribution exercise that began in 2000 and the implementation of such wrongheaded policies as draconian price controls led to a sharp fall in food production and exports. The collapse of the agricultural sector had a multiplier effect on Zimbabwe's largely agriculturally-based manufacturing sector - a second pillar of the economy. In addition, Zimbabwe's pariah status devastated the tourism industry. A fourth pillar of the economy - the mining sector - failed to take advantage of a decade of rising commodity prices, being subject, as well, to misguided pricing, poor foreign exchange policies, and patronage abuse.

¶18. (SBU) Zimbabwe's external payments position deteriorated sharply in the past decade and the rate of inflation spiraled out of control as the government turned to money creation to fund its spending. Inflation is estimated to have peaked at an unprecedented level of 500 quadrillion percent in September 2008. In late 2008, the Zimbabwe dollar virtually disappeared from circulation and the pricing of goods and services shifted to foreign currency.

¶19. (SBU) Formal acceptance of dollarization by the government in February 2009 finally stopped hyperinflation overnight and ushered in macroeconomic stability. The adoption of a cash budget (monthly expenses matching monthly revenue) by the new government put an end to high deficits while dollarization provided a strong nominal anchor for the control of inflation. Upon the new government's reengagement with the IMF this year, the Fund approved the provision of limited technical assistance to Zimbabwe.

¶20. (SBU) While the economy has begun to stabilize, the systematic and ongoing attack on property rights, and reports that all companies will be required to have 51 percent indigenous ownership, have scared off investors. Today Zimbabwe, once the breadbasket of southern Africa, is a poor and deeply indebted country with a per capita GDP of less than US\$1/day. The success of the new government's economic policies will depend on introducing further far-reaching reforms that will spur production and attract support from international donors and investors alike.

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## Current U.S. Assistance

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¶21. (SBU) The Mission's current FY 2009 budget level for Zimbabwe (excluding centrally-funded humanitarian assistance) is approximately US\$66 million. These funds support Qis approximately US\$66 million. These funds support activities related to democracy and governance, health, and the start-up of an economic growth program. A supplemental budget of US\$45 million is currently on the Hill to raise the Mission's FY 2009 budget to approximately US\$111 million. This funding level, although US\$60 million short of the Mission's full transition request, would enable the Mission to begin to implement components of the National Security Council's recently-approved transition strategy for Zimbabwe.

In addition to the above funding, the Mission receives

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significant support from USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance (USAID/DCHA) for food and non-food humanitarian assistance and transition support. To date, FY 2009 funding from DCHA is another US\$114 million - US\$94 million from the Office for Food for Peace (USAID/FFP), US\$16 million from the Office of Foreign Disaster Assistance (USAID/OFDA), and US\$4 million from the Office of Transition Initiatives (USAID/OTI).

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## Status of GOZ and Donor Community

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¶22. (SBU) Through a Multi-Donor Trust Fund (MDTF), the donor community, including the USG, has created a mechanism to provide technical assistance to progressive-line ministries and the Office of the Prime Minister to fill critical gaps. This mechanism is intended to assist overwhelmed ministries to identify and prioritize critical needs and to advise on policy reforms. Coordination between the GOZ and the donor community is at a nascent stage. Much work remains to improve coordination at all levels and to educate the GOZ on aid effectiveness principles and standard development practices.

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## U.S. Policy and Reengagement

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¶23. (SBU) The U.S. and other donors form a very cohesive front subscribing to a set of principles to guide reengagement with Zimbabwe to ultimately include developmental assistance. These principles include:

- Full and equal access to humanitarian assistance;
- Commitment to macroeconomic stabilization;
- Restoration of the rule of law, including enforcement of contracts, an independent judiciary, and respect for property rights;
- Commitment to the democratic process and respect for internationally accepted human rights standards; and
- Commitment to timely free and fair elections with international standards, and in the presence of international observers.

¶24. (SBU) Access to humanitarian assistance has improved, the MDC-controlled finance ministry is working to achieve macroeconomic stabilization, and a constitutional process called for by the GPA is underway -- a new constitution is a predicate to new elections. Much remains to be done, however, in the area of human rights and rule of law and the USG has signaled that greater engagement and developmental assistance will depend on progress in these areas. In the interim, and following the guidance of President Obama from his meeting in June with Prime Minister Tsvangirai, we are putting in place "humanitarian plus" assistance in the areas of health, education, and agriculture, including credit guarantees.

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The Outlook  
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¶25. (SBU) Tsvangirai has made clear he is committed to remaining in the government. While he will raise the failure of Mugabe and ZANU-PF to fully comply with the GPA with South African President Zuma (due to visit Zimbabwe on August 27)

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and with SADC (a SADC Heads of State and Government summit will take place in Kinshasa in early September), Mugabe is only likely to give enough to satisfy SADC and Zuma without relinquishing control of government or acceding to meaningful reform. Without such reform, the engagement of donors and the International Financial Institutions is likely to be limited and economic growth therefore constrained. On the political front, it was initially assumed that the drafting of a new constitution would lead to elections in 2010 or ¶2011. At this point in time, the most likely scenario is a continuing and uneasy coalition between ZANU-PF and the MDC with some economic progress and fitful and limited political reform. Real political change would seem possible only after a new election. Neither party, however, seems eager to advance elections which are scheduled under the current constitution for 2013.

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A Note on Your Visit  
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¶26. (SBU) Your visit provides an opportunity to demonstrate U.S. commitment to democratic transition in Zimbabwe. You will be meeting with President Mugabe, Prime Minister Tsvangirai, and House of Assembly Speaker Lovemore Moyo and other parliamentarians. With Mugabe, you will be able to reiterate the message that the U.S. supports the Zimbabwean people, but that greater engagement, including assistance, depends on a demonstration of greater commitment to political reform and rule of law. With Tsvangirai, you can express support for his efforts to achieve democratic reform and encourage him to continue to press for full implementation of the GPA. With parliamentarians, you can underscore the importance of drafting a constitution that enshrines fundamental liberties and contains property guarantees. You can also emphasize the importance of an independent legislature.

DHANANI